INDEX

	PAGE
Opinions Below	1
Statute Involved	2
Jurisdiction	2
Questions Presented	2
Statement of the Case	3
Argument	8
Scope of Review Requested	8
Reasons Relied Upon for the Allowance of the Cross-Writ	8
Conclusion	11
Appendix	12
I. Opinion of the Court Below	12
II. Judgment	28
III. Statute Involved	28
35 U.S.C. 102	28
35 U.S.C. 103	29

TABLE OF CASES

Automatic Radio Mfg. Co. v. Hazeltine, (1950) 339 U.S. 827	6, 9
Casco Products Corp. v. Sinko Tool & Mfg. Co., (C.A. 7, 1940) 116 F. 2d 119, cert. den. 312 U.S. 693	9
Hall Laboratories, Inc. v. Economics Laboratories, Inc., (D.C. Minnesota, 1947) 72 F. Supp. 683	4, 5
Land v. Dollar, (1947) 330 U.S. 731	10
Larson v. Domestic & Foreign Corp., (1949), 337 U.S. 682	10
LeTulle v. Scofield, (1940) 308 U.S. 415	9
Morley Co. v. Maryland Casualty Co., (1937) 300 U.S. 185	9
Scott Paper Co. v. Marcalus Co., (1945) 326 U.S. 249	2, 3, 6, 7, 8, 9, 10

Statutes Cited.

PAGE

Stelos Co. v. Hosiery Corp., (1935) 295 U.S. 237.... 8

Timken-Detroit Axle Co. v. Alma Motor Co., (C.A. 3, 1947) 163 F. 2d 190 10

U.S. v. General Motors Corp., (1945) 323 U.S. 373... 10

Webster Co. v. Splitdorf Co., (1924) 264 U.S. 463... 9

Westinghouse Co. v. Formica Insulation Co., (1924) 266 U.S. 342 .....2, 7, 8, 9, 10

STATUTES CITED

28 U.S.C. 1254(1) 2

28 U.S.C. 2101(c) 2

35 U.S.C. 103 .....2, 7, 10

IN THE

Supreme Court of the United States

OCTOBER TERM, 1955

NO. ....

HALL LABORATORIES, INCORPORATED, THE BUROMIN COMPANY, CALGON, INCORPORATED and HAGAN CORPORATION,
Cross-Petitioners,

v.

NATIONAL ALUMINATE CORPORATION,
Cross-Respondent.

PETITION FOR A CROSS-WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Hall Laboratories, Incorporated, The Buromin Company, Calgon, Incorporated and Hagan Corporation, plaintiffs-appellants in the Court below and respondents to the petition filed herein by National Aluminate Corporation at No. 478, pray that a cross-writ of certiorari issue to review the judgment of the United States Court of Appeals for the Third Circuit entered June 22, 1955 (rehearing denied August 8, 1955).

Opinions Below

The opinion of the Court of Appeals is reported at 224 F. 2d 303, and a copy is appended hereto (*infra*, p. 12).

The opinion of the District Court is reported at 120 F. Supp. 684. It appears in the copies of the record filed by National Aluminate Corporation ("Nalco") with its

petition at No. 478 (Tr., Item 1, pp. 8a-35a),* and is not appended; Rule 23(i).

Statute Involved

The case involves a question of the effect of the new Patent Act, specifically the Act of July 19, 1952, c. 950, § 1, 66 Stat. 798; 35 U.S.C. 103. That section, with the preceding section referred to therein, is printed in the appendix to this petition (*infra,* pp. 28-29).

Jurisdiction

The judgment of the Court of Appeals (*infra,* p. 28) was entered on June 22, 1955. The time allowed to Hall Laboratories, *et al.* ("Hall") for filing a petition for rehearing was extended to July 18, 1955 (Tr. Item 8) and Hall filed a petition for rehearing and clarification on that day (Tr., Item 11). That petition, as well as Nalco's concurrent petition for rehearing, was denied August 8, 1955 (Tr., Item 13). This Court has jurisdiction by reason of the provisions of 28 U.S.C. 1254(1) and 2101(c).

Questions Presented

(1) Does the *Formica-Marcalus* doctrine (*Westinghouse Co. v. Formica Insulation Co.,* 1924, 266 U.S. 342; *Scott Paper Co. v. Marcalus Co.,* 1945, 326 U.S. 249) permit comparison of accused practices only with a prior, expired, United States patent and preclude comparison with all other categories of prior art, e.g., a prior printed publication or a prior public use in this country?

(2) Under the new Patent Act, 35 U.S.C. 103, is the statutory prohibition against contracts limiting the free

* References are to the record at No. 478; Rule 21(5).

and unrestricted right to use the subject matter of expired United States patents, as enounced in the *Marcalus* case, applicable to the entire existing art and obvious modifications thereof?

(3) If the answer to Question (1) is "No", is the comparison of the licensed practices with categories of prior art other than expired United States patents, which would thus be generally allowed, precluded where the license agreement was entered into as the result of a compromise and settlement?

Statement of the Case

Hall was licensed by Nalco under Nalco's Fink-Richardson patent 2,358,222, dated Sept. 12, 1944, on January 29, 1948 (Tr., Item 1, p. 45a). The patent is for the use of a class of phosphates called "polyphosphates" in the treatment of water which contains dissolved calcium (water containing substantial amounts of calcium is familiarly called "hard").

Calcium has a tendency to precipitate out of the water under certain conditions and lodge itself on the surfaces of the water tubes or vessels as "scale". The treatment consists simply of the addition of the polyphosphate to the water in small amounts—the patent has several claims, variously calling for amounts as small as one-tenth part per million ("ppm") and as high as 100 ppm. The addition inhibits the precipitation of calcium and thus reduces or prevents the formation of scale.

Nalco's application for the Fink-Richardson patent had been in interference with a Hall application and priority had been adjudged in favor of Fink-Richardson.

Shortly after the patent issued Hall sued Nalco for a declaratory judgment that the Fink-Richardson patent was invalid and was not infringed by the practices of Hall and its customers in the treatment of water. Those practices consisted of the addition of "sodium hexametaphosphate" (herein called, simply, "metaphosphate"), which is one of the "polyphosphates", in amounts within the range specified by Fink-Richardson. Nalco had counterclaimed, charging infringement.

Concurrently with the execution of the license agreement here involved, the complaint and counterclaim were dismissed by mutual consent, the terms of the order being such that the dismissals were without prejudice. Hall also paid Nalco $10,000 in full satisfaction of all charges of past infringement and gave it a covenant not to sue on another, unrelated, patent.

At and prior to the transactions just stated, Hall had also been exploiting its Hall patent Re. 19,719 (Tr., Item 2, p. 45b), which was earlier in date than Fink-Richardson. The Hall patent disclosed the addition of metaphosphate to calcium-containing water. The dosages specified by Hall were larger than those specified by Fink-Richardson. The larger dosages of Hall had, like Fink-Richardson, the effect of inhibiting the precipitation of calcium, but they also had the effect of making the "hard" water "soft" when used with soap, which effect did not result from the use of the more limited dosages (0.1 to 100 ppm.) prescribed by Fink-Richardson.

The Hall patent had been held invalid when the Hall-Nalco license agreement under Fink-Richardson was made; *Hall Laboratories, Inc. v. Economics Labora-*

tories, Inc., (D.C. Minnesota, 1947) 72 F. Supp. 683, but an appeal was pending. Nalco was not a party to the *Economics* case but had full knowledge of it.

The major item of prior art in the *Economics* case was a printed publication—a textbook on quantitative chemical analysis by a chemist named Fresenius. Fresenius taught nothing about water softening. He did teach that the "presence" of metaphosphate prevented the precipitation of calcium, without specifying any minimum or maximum amount. Hall contended in the *Economics* case that Fresenius' teaching was an admonition *not* to use metaphosphate but the Court of Appeals held that there was no "demonstrable distinction" between Fresenius and Hall, that Hall had "simply verified the statements of the facts of chemistry in the text of Fresenius", and that Fresenius was thus anticipatory; 169 F. 2d 65, 68.

Deeming that the holding of the Court of Appeals as to Fresenius vis-a-vis Hall applied *a fortiori* to Fresenius vis-a-vis Fink-Richardson, Hall commenced this action, praying, *inter alia,* for a judgment that its practices were justified by the Fresenius text as it had been interpreted in the *Economics* case. Hall also averred that its practices were justified by various prior United States patents and public uses. Hall did not seek the return of money paid on the settlement or of the royalties it had already paid Nalco but asked for a judgment that it was not required to pay royalties in the future.

Nalco moved for summary judgment, which was denied; 93 F. Supp. 376. The trial judge refused to look at any of the prior art cited, other than Fresenius, on

the ground that Hall was precluded from citing any prior art cited in the earlier action; he deemed, however, that there should be a hearing on Fresenius. Nalco thereupon moved for a separate trial on the single issue as to whether Hall's practices correspond to Fresenius. That motion was granted; 95 F. Supp. 323; and a trial on the Fresenius issue was had, the decision thereon being in Nalco's favor; 120 F. Supp. 684 (Tr., Item 1, p. 8a).

In his final opinion, the trial judge (a) reiterated his refusal to consider the prior art cited in the earlier action; (b) left undecided "the scope to be given to the decision in *Scott Paper Co. v. Marcalus,* 326 U.S. 249," but also pointed to *Automatic Radio Co. v. Hazeltine,* (1950) 339 U.S. 827 and decisions of lower courts as "reaffirming the estoppel doctrine" and said that "under these judicial facts there is no basis for extending the scope of the *Marcalus* case"; (c) held that the *Marcalus* doctrine is limited to cases of "a Chinese copy" or practices "precisely those" of the involved prior art; and (d) that Hall had "not met the standard of identity of the Marcalus doctrine".

Hall appealed. The appeal was heard by Chief Judge Biggs and Circuit Judges Maris and Kalodner, and the decision was by a divided court, Chief Judge Biggs dissenting in part.

All of the judges below agreed that Hall is entitled to invoke three United States patents that are now expired, and that the case should be remanded for that purpose (*infra,* pp. 21-22, p. 27).

All of the judges below seem tacitly to agree that the Fresenius publication discloses everything of sub-

stance in the Fink-Richardson patent, but Judges Maris and Kalodner, in the majority opinion (*infra,* p. 22) deem that this Court's decision in *Scott Paper Co. v. Marcalus Co.,* (1945) 326 U.S. 249, states a "statutory" policy which is limited to a comparison of accused practices with expired United States patents, and that Hall is precluded from invoking Fresenius because its disclosures are contained in a prior printed publication, rather than in an expired patent; by the same token, they hold that Hall is precluded from showing that its practices correspond to practices in public use prior to Fink-Richardson, except as reflected in an expired United States patent (*infra,* p. 21). Chief Judge Biggs, on the other hand, urges in his dissent (*infra,* p. 23) that the *Formica-Marcalus* doctrine is not thus limited, particularly in view of the provisions of the new Patent Act. 35 U.S.C. 103 (*infra,* p. 27).

Before coming to a consideration of the now-expired patents, the majority opinion below states numerous limitations on the *Formica-Marcalus* doctrine that the majority below deems to exist. Insofar as we deem those matters to be within the purview of Nalco's petition for a writ of certiorari at No. 478, we have discussed them in Hall's reply to that petition, but there remains for consideration the holding of the majority below that licensees are estopped from justifying their practices on the basis of prior art when the license is entered into as the result of a compromise and settlement of litigation on the patent (*infra,* pp. 15-16). While it is perhaps tacit in the next-to-the-last paragraph of the majority opinion below that "compromise and settlement" does not bar Hall from invoking the now-expired patents there mentioned (although Hall knew of them at the

time of the settlement), the question still remains whether licensees are barred by compromise and settlement from invoking the *Formica-Marcalus* doctrine on the basis of prior art items other than expired patents, specifically, prior printed publications and prior public uses.

Argument

SCOPE OF REVIEW REQUESTED

Hall seeks a review of those portions of the decision of the Court of Appeals which are adverse to it, and particularly those portions that (a) limit the application of the *Formica-Marcalus* doctrine to comparison with expired United States patents, to the exclusion of all other categories of prior art, and (b) preclude licensees from invoking that doctrine after compromise and settlement of litigations on the patent involved. It is believed that the questions stated in Hall's reply to Nalco's petition can be decided by this Court upon that writ, if it be granted; *Stelos Co. v. Hosiery Corp.,* (1935) 295 U.S. 237, 238-9; but out of possible excess of caution, we cross-petition in the broad terms stated immmediately above.

REASONS RELIED UPON FOR THE ALLOWANCE OF THE CROSS-WRIT

(1) The decision below raises important questions outside the purview of Nalco's petition. We believe that the questions presented by this petition for a cross-writ are at least as important as those within the purview of Nalco's petition. This petition for a cross-writ is deemed necessary or desirable since resolution of them in the manner contended for by Hall would result in overturning portions of the judgment below which are unfavor-

able to Hall. Decisions of this Court believed to be apposite are *Morley Co. v. Maryland Casualty Co.* (1937) 300 U.S. 185, 191 and *LeTulle v. Scofield,* (1940) 308 U.S. 415, 421.

(2) The decision below presents important questions as to the proper understanding and application of this Court's decisions in the *Formica, Marcalus* and *Hazeltine* cases.* It is believed that there should be a review of the decision below in these circumstances; *Webster Co. v. Splitdorf Co.,* (1924) 264 U.S. 463, 469.

(3) The decision below presents an important question of patent law which has not been, but ought to be, decided by this Court. The specific question—whether the *Formica-Marcalus* doctrine permits comparison of accused practices with prior art generally, or only with expired United States patents (which was the basis of comparison in *Marcalus*)—has not been specifically decided by this Court, albeit the decision in the *Formica* case states without limitation that it is admissible to show "the state of the art involved". Similarly, the decision in *Casco Products Corp. v. Sinko Tool & Mfg. Co.,* (C.A. 7, 1946) 116 F. 2d 119, cert. den. 312 U. S. 693 (which decision was approvingly referred to in the lower court's decision in the *Marcalus* case, 147 F. 2d 608, 612), does not impose the limitation now enounced by the court below, and the majority decision suggests a present disagreement with the *Casco* decision (*infra,* pp. 20-21). Nevertheless, another panel of judges in the court below

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**Westinghouse Co. v. Formica Co.,* (1924) 266 U.S. 342; *Scott Paper Co. v. Marcalus Co.,* (1945) 326 U.S. 249; *Automatic Radio Mfg. Co. v. Hazeltine,* (1950) 339 U.S. 827.

has applied the *Formica-Marcalus* doctrine in a case involving comparison of the accused device with a device that was not (so far as appears) disclosed in a prior patent, but had been in prior public use; *Timken-Detroit Axle Co. v. Alma Motor Co.,* (C.A.3, 1947) 163 F.2d 190.

It is believed that the question here involved is of even larger public interest than those involved in the *Formica* and *Marcalus* cases.

(4) An important question of the effect of the new Patent Act is involved. The majority opinion below postulates its decision on this Court's decision in the *Marcalus* case but holds that that decision enounces a "statutory" policy which limits the application of the doctrine to prior art subject matter disclosed in expired patents. The *Marcalus* case was decided by this Court prior to the enactment of the present Patent Act. In his dissent Chief Judge Biggs points to the new Patent Act (35 U.S.C. 103, *infra,* p. 29) as constituting "a statutory prohibition of the sort referred to by Mr. Chief Justice Stone in Marcalus", making the *Marcalus* doctrine applicable to all prior art, and not merely to expired patents. It is believed that this question is of such character and importance that it should be reviewed by this Court.

(5) While the decision below is not final, it is believed that the case is appropriate for review at this time. Decisions believed to be apposite in the circumstances are *U.S. v. General Motors Corp.,* (1945) 323 U.S. 373, 377; *Land v. Dollar,* (1947) 330 U.S. 731, 734; and *Larson v. Domestic & Foreign Corp.,* (1949) 337 U.S. 682, 685.

Conclusion

For the foregoing reasons Hall prays that this petition for a cross-writ of certiorari be granted.

Respectfully submitted,

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November 4, 1955

APPENDIX

I.

Opinion of the Court Below

[Caption Omitted]

The following opinion is reported at 224 F. 2d 303. The bold-faced numbers appearing in brackets therein have been inserted to indicate the paging in the Official Report.

OPINION OF THE COURT

(Filed June 22, 1955)

By KALODNER, *Circuit Judge*

This is an appeal from the judgment of the District Court for the District of Delaware dismissing the plaintiffs' complaint with prejudice and directing the payment to defendant of royalties, under a license agreement, which had been deposited in the registry of the Court.

The issue to be determined is whether the plaintiffs, in the circumstances of this case, are free to litigate the validity of a patent as to which they are licensees.

The plaintiffs, Hall Laboratories, Inc., The Buromin Company, Calgon, Inc., and Hagan Corporation (collectively "Hall"), affiliated companies under generally the same management, commenced this action for declaratory judgment against National Aluminate Corporation ("Nalco") seeking to be relieved of liability under a license agreement entered into on January 29, 1948, whereby Nalco granted to Hall a license under patent No. 2,355,222 ("Fink-Richardson" patent). This patent

relates to the treatment of incrusting water by the addition of small quantities (one to three, and sometimes up to nine parts per million) of polyphosphoric acid compound to prevent incrustation on the walls of passageways or containers of waters. The process is known as "stabilization". There is no dispute that the practices of Hall are within the Fink-Richardson patent and the license agreement.

The facts leading to the instant litigation are as follows:

In March, 1945, plaintiffs commenced an action against Nalco seeking a declaratory judgment that their practices did not infringe the Fink-Richardson patent and that the patent was invalid. Nalco filed an answer and counter-claim charging infringement. On January 29, 1948, the parties settled the controversy. The settlement included the license agreement above referred to, a release of past infringement (Hall paying to Nalco $10,000), a covenant not to sue on another patent, and the entry of an order of an agreed judgment of dismissal. On Feb- [305] ruary 10, 1948, the District Court entered a "final judgment", consented to by the parties, which recited that the parties had represented to the court that the controversy was compromised and settled, and that the defendants were granted a license. This judgment dismissed the complaint and the counter-claim, but contained no recitation as to prejudice.

Prior to the commencement of the aforesaid action, Hall Laboratories, Inc., had, in January 1945, instituted proceedings against Economics Laboratory, Inc., ("Economics") charging infringement of its patent, Re. 19,719 ("Hall" patent). Economics pleaded as a defense the in-

validity of that patent citing the writings of one Fresenius. On June 13, 1947, judgment was granted in favor of Economics on the ground that there was no demonstrable distinction between the Hall patent and the Fresenius text. *Hall Laboratories, Inc. v. Economics Laboratory, Inc.*, 72 F. Supp. 683 (D. C. Minn. 1947). On July 6, 1948, this judgment was affirmed in the Court of Appeals for the Eighth Circuit, 169 F. 2d 65.

Nalco was not involved in the Economics litigation, nor was the Fink-Richardson patent drawn into issue.

On January 31, 1949, the plaintiffs commenced the instant action against Nalco. The complaint recites substantially the foregoing facts. It further distinguishes the Fink-Richardson patent from the Hall patent. The Hall patent relates to water softening, the process being referred to as "sequestration", and achieves its effect by adding to hard water metaphosphate in substantially larger quantities than that taught by the Fink-Richardson patent, which does not soften water. However, the complaint alleges that the Fink-Richardson patent is invalid as having been anticipated by specific prior art and patents, and by the Fresenius text as interpreted by the courts in the Economics litigation. It further alleges that Hall, as a result of the "new situation", has been evicted from the license of January 29, 1948, and accordingly prays for judgment relieving Hall from the payment of royalties. Three royalty payments had been made by Hall to Nalco before the commencement of these proceedings.

The District Court denied Nalco's motion for summary judgment. 93 F. Supp. 376 (1950). Nalco then moved, pursuant to Rule 42(b), Federal Rules of Civil

Procedure, for a separate trial on the issue whether the plaintiffs' practices and the Fink-Richardson patent correspond with the teaching of the Fresenius text. This motion was granted. 95 F. Supp. 323 (1951). The District Court held the view that Hall was estopped to contest the validity of the Fink-Richardson patent, but permitted trial with respect to the Fresenius text, which had not been referred to by Hall in the prior declaratory judgment action brought by Hall against Nalco and which had been settled. In the exercise of its discretion, it determined that such issue should be tried, for if the decision went against Hall, it would resolve the entire controversy. Following trial, the District Court found as a fact that the Fresenius text, whether or not interpreted in the light of the Economics litigation, did not correspond with the plaintiffs' practices and the Fink-Richardson patent. It also found that Hall was estopped to contest the validity of the Fink-Richardson patent, both because of the settlement of the prior action between the parties and because of the license agreement. 120 F. Supp. 684 (1954).

In the District Court, as here, Hall relied on *Scott Paper Co. v. Marcalus Mfg. Co., Inc.*, 326 U. S. 249 (1945), as applicable authority for permitting Hall to attack the validity of the Fink-Richardson patent in the circumstances stated above.

We are of the opinion that Hall is estopped to contest the validity of the Fink-Richardson patent on the ground of the prior art, including the Fresenius text, as a result of the compromise and settlement of the prior action between these same parties. *J. Kahn & Co. v. Clark*, 178 F. 2d 111, 114 (5th Cir. 1949). In the prior action, the

prior art, except Fresenius, was pleaded, but the estoppel [306] is created by the contract embodying the settlement and compromise and license agreement and operates uniformly on all the prior art. It is noteworthy that Hall does not distinguish between its practice at the time of the prior action and at the time of the commencement of the instant action. Moreover, at the time of the compromise and settlement of the prior action, the Fresenius text was known to Hall, as was the judicial interpretation of it, which preceded the compromise by at least six months. If Hall felt that the Economics decision jeopardized the validity of the Fink-Richardson patent, that issue could have been litigated. Hall's present suggestion that it expected the Economics decision to be reversed on appeal is without effect, since the secret mental reservations by a contracting party cannot operate to modify a freely assumed contractual obligation. Only recently, in evaluating the effectiveness of a release in a personal injury action, we said:

> "True, the plaintiff is now known to have suffered to a greater extent than was previously thought. But the very nature and purpose of settlement presupposes a joint *approximation* of the future. The validity of a release is not conditioned upon the prescience of the parties." *Thompson v. Coastal Oil Co.*, 218 F. 2d 664 (January 28, 1955).

In this instance, the Economics decision added an arrow to Hall's quiver, but the Hall group traded its bow in the interest of peace and profit.

We are of the further opinion that Hall as a licensee is precluded from asserting the invalidity of the licensor's patent. *Cold Metal Process Co. v. United Engi-*

neering & Fdry. Co., 190 F. 2d 217, 220 (3rd Cir. 1951). But Hall, relying on *Scott Paper Co. v. Marcalus Mfg. Co., Inc., supra,* places in issue the proper scope of the estoppel doctrine, and suggests overtones of policy which, if accepted, would cut across any principle preventing Hall from disputing the validity of the licensed patent.

That a licensee is estopped to show the invalidity of the licensed patent has long been an accepted part of patent law. *Kinsman v. Parkhurst,* 18 How. 289 (U. S. 1855); *United States v. Harvey Steel Co.,* 196 U. S. 310 (1905); *Automatic Radio Mfg. Co., Inc. v. Hazeltine Research, Inc.,* 339 U. S. 827, 836 (1950). Its basis has been explained by Mr. Justice Frankfurter, dissenting in *MacGregor v. Westinghouse Electric and Mfg. Co.,* 329 U. S. 402, 413 (1946), in the following terms:

> "What we here have to decide is whether we shall allow the licensee to repudiate an agreement for the payment of money made in an arm's length transaction. For nearly a hundred years this Court has uniformly answered that question by using the legal shorthand of estoppel."

The terminology of estoppel by sanction of tradition rather than strictly logical appropriateness has been employed to designate the truth that a contract involving a patent is as binding as any other contract.[1]

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1. In the case of the "estoppel" of an assignor of a patent to contest the validity of the assigned patent, the use of the term can be justified logically as an application of the real property doctrine of estoppel by deed. See *Automatic Paper Machinery Co. v. Marcalus Mfg. Co.,* 147 F. 2d 608 (3rd Cir., 1945).

Considerations of public policy, however, transcend private bargaining and the traditional doctrine. Thus, in *Sola Electric Co. v. Jefferson Electric Co.,* 317 U. S. 173 (1942), the Supreme Court held the licensee not estopped to attack the validity of the licensed patent where the license agreement price fixing provisions would violate the anti-trust laws if the patent were invalid. See also *Mercoid Corp. v. Mid-Continent Investment Corp.,* 320 U. S. 661 (1944); *Katzinger Co. v. Chicago Metallic Mfg.* [307] *Co.,* 329 U. S. 394 (1946); *MacGregor v. Westinghouse Electric and Mfg. Co. supra.* And in *Scott Paper Co. v. Marcalus Mfg. Co., Inc., supra,* it was held that the assignor of a patent sued for infringement was not estopped to attack its validity by showing that the invention had been described in a prior expired patent. The Supreme Court, in that case said (page 257):

> "* * * the patent laws preclude the petitioner assignee from invoking the doctrine of estoppel, as a means of continuing as against respondent, his assignor, the benefit of an expired monopoly, and they preclude the assignor from estopping himself from enjoying rights which it is the policy of the patent laws to free from all restrictions. * * * The interest in private good faith is not a universal touchstone which can be made the means of sacrificing a public interest secured by an appropriate exercise of the legislative power. The patent laws preclude us from saying that the patent assignment, which they authorize, operates to estop the assignor from asserting that which the patent laws prescribe, namely that the invention of an expired patent is

dedicated to the public, of which the assignor is a member."

The crucial extension which Hall seeks to make is that the doctrine of the *Scott Paper* case is not restricted to situations in which invalidity of the patent in issue is premised upon a prior expired patent. In brief, Hall asserts that the laws which dedicate to public use the invention of an expired patent also dedicate the disclosures of prior publications and foreign patents for which timely patent application has not been made. Hall concludes that there is no basis for distinguishing between invalid patents on the grounds of their invalidity insofar as the *Scott Paper* case is concerned, and he relies upon language in the opinion of this court in *Automatic Paper Machinery Co. v. Marcalus Mfg. Co.*, 147 F. 2d 608 (1945), affirmed *sub nom. Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U. S. 249.

It does not appear, however, that the Supreme Court has as yet relaxed the estoppel doctrine to this extent. In *Katzinger Co. v. Chicago Metallic Mfg. Co., supra,* decided subsequent to the *Scott Paper* case, the Supreme Court, in allowing the licensee to challenge validity, refused to re-examine the estoppel doctrine as embodied in the *Kinsman* and *Harvey Steel* cases, *supra.* In resting its decision upon the anti-trust aspects of the case, the Court specifically left open "under what other circumstances a federal rule of estoppel might be applied." 329 U. S. at page 399. As of 1946, therefore, the estoppel principle was not moribund. Any doubt is removed by *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*, 339 U. S. 827 (1950), in which the Supreme Court held the licensee estopped to contest the validity of the

licensed patents. In unmistakable language the traditional doctrine was reiterated (page 836):

> "Finally, it is contended that notwithstanding the licensing agreement, petitioner-licensee may contest the validity of the patents it is charged with using. The general rule is that the licensee under a patent license agreement may not challenge the validity of the licensed patent in a suit for royalties due under the contract. *United States v. Harry Steel Co.*, 196 U. S. 310 * * * The *Katzinger* and *MacGregor* cases are inapplicable. The general rule applies, and petitioner may not, in this suit, challenge the validity of the licensed patents."

Nevertheless, Hall attempts to render its practices royalty-free upon *Casco Products Corp. v. Sinko Tool & Mfg. Co.*, 116 F. 2d 119 (7th Cir. 1940), cert. denied 312 U. S. 693 (1940); and see the alternative basis for our decision in *Automatic Paper* [308] *Machinery Co. v. Marcalus Mfg. Co.*, 147 F. 2d 608, 610-612 (1945). These case are the product of *Westinghouse Electric and Mfg. Co. v. Formica Insulation Co.*, 266 U. S. 342, 351 (1924). The latter case involved a suit for infringement against the assignor of a patent. While recognizing that the assignor was estopped to contest the validity of the patent, the Supreme Court, in accordance with existing law, held that the prior art may be used to construe and narrow the claims of the patent "conceding their validity". We said, in the *Automatic Paper Machinery* case that complete anticipation might be shown. In affirming our decision, *sub nom. Scott Paper Co. v. Marcalus Mfg. Co.*, the Supreme Court did not rely upon our alternative holding.

Appendix.

It was not the purpose of the *Formica* case to nullify contracts with respect to the licensing of patent property. Indeed, the decision recognizes the co-existence of the estoppel doctrine; the distinction between attacking validity and construing and narrowing claims was characterized as a "nice one but seems to be workable". 266 U. S. at page 351. Neither that decision nor our own was predicated upon an overriding public policy. Rather, the Formica decision was designed to meet the situation where some doubt existed between the parties as to the true scope of the patent claims. In the instant case, there is no pretense of doubt concerning the claims of the Fink-Richardson patent, nor are the parties hereto disputing infringement.

All of the offered prior art, except Fresenius, was alleged in the prior declaratory judgment action brought by Hall against Nalco. The effect of the compromise of that suit, of which the license agreement was a part, was to settle for the parties the question of the relevance of the prior art. Hall has effectively laid to rest the question of the validity of the Fink-Richardson patent, insofar as the prior art is concerned, and its applicability to its practice, which even now is conceded to be that of the Fink-Richardson patent. By the same token, the applicability of the Fresenius text, even as interpreted by the federal court in Minnesota, was known to Hall before the settlement, and Hall chose to lay it aside as well.

Consequently, this case does not present a proper basis for the application of the Formica rule.

Except for a disclosure which came to light on this appeal we should be obliged to affirm the judgment of

the District Court for the reasons stated. It now, appears, however, that three patents relied upon by Hall, and referred to in the complaint in this action, as anticipating the Fink-Richardson patent, expired prior to the filing of the District Court's opinion on March 24, 1954. These are Judson, No. 1,924,861, issued August 29, 1933, Burk, No. 2,063,788, issued December 8, 1936, and Rosenstein, No. 2,038,316, issued April 21, 1936. It is clear that under the Scott Paper case these patents would have had to have been considered had they expired at the time of the filing of the complaint, for that decision presupposes that the parties cannot by any form of agreement contravene the statutory policy which terminates the patent monopoly after the stated interval. Hall should have amended its complaint accordingly, but its failure to do so is not fatal, since the Rules permitting amendments are liberally applied, and since the Scott Paper case leaves an open avenue. The issue, whether the expired patents correspond with Fink-Richardson, remains and the record will not admit of final decision of that issue in this Court.

For the reasons stated, the judgment of the District Court will be vacated and the cause remanded for further proceedings not inconsistent herewith.

BIGGS, *Chief Judge,* dissenting in part and concurring in part.

The majority opinion holds that because of the compromise agreement of the first declaratory judgment suit by Hall and Nalco (Delaware C.A. 538), because of the license issued thereunder to Hall [309] authorizing it to employ the processes of the Fink-Richardson patent in issue and because of the "final judgment" of the court below dismissing the suit on stipulation of Hall and Nalco, the court below on remand can consider, under the Marcalus doctrine of the Supreme Court, Scott Paper Co. v. Marcalus Manufacturing Co., Inc., 326 U.S. 249 (1945), *only* whether the Judson Patent, No. 1,924,861, the Burk Patent, No. 2,063,788, and the Rosenstein Patent, No. 2,038,316 (all of which expired prior to the entry of the judgment appealed from) can be employed to limit the claims of the Fink-Richardson patent; that all other prior art, including prior public use and sale cannot be employed to limit the claims. This is the only substantial issue presented by the appeal at bar. Cf. Westinghouse Co. v. Formica Co., 266 U.S. 342 (1924).

The Supreme Court's ruling in Marcalus does not require such a result and our opinion in that case looks decidedly the other way. The Supreme Court in Marcalus did *not* hold that prior art (other than prior expired patents) could not be employed by the vendor of the patent to limit claims.

Our opinion in Marcalus said: "If we are correct in our conclusion that under the rule of the Formica decision the prior art measures the extent of the anticipation and the anticipation *limits* the claims, anticipation be-

ing complete in the instant case, the claims of the patent must be limited to nought." See 147 F. 2d at p. 613. True this was *dictum* for it was not necessary to go this far in Marcalus. But in the instant case on the present record it is necessary to decide whether prior art, other than prior expired patents, can be employed to limit the claims of Fink-Richardson. This is so because Hall has pleaded not only prior art as represented by the patents hereinbefore referred to but has also pleaded prior public use and sale.

The majority relies, as did Chief Judge Leahy in the court below, on the established doctrine that where a voluntary compromise is reached it is normally binding, as is any contract. I agree. But, aside from the Formica-Marcalus exception as to limitation of claims, it has always been the law that a licensee could not attack the patent under which he was licensed. Under the Formica-Marcalus doctrine the overriding consideration became and is the limitation of monopoly for the public good, so that attack can be permitted. There is no sound reason why the courts should permit a license, even though issued pursuant to a compromise agreement and after a judgment of dismissal agreed to by the parties, to be employed as a bar to an attack on a monopoly.

The majority opinion states that the estoppel principle is not "moribund", referring to Automatic Radio & Mfg. Co. v. Hazeltine, 339 U.S. 827 (1950) and quoting from that opinion. But the issue as to whether the Marcalus doctrine was to be limited to prior art represented by expired patents was simply not in focus in the majority opinion of the Supreme Court in that case though Mr. Justice Douglas referred to Marcalus in his

dissent. This is demonstrated by the fact that in the opinion in Automatic Radio v. Hazeltine in the United States District Court for the District of Massachusetts, 77 F. Supp. 493, 497, no mention is made of prior art. The Court of Appeals for the First Circuit by Chief Judge Magruder said: "Although Automatic's motion for summary judgment and its supporting affidavit make the general statement that none of Hazeltine's patents covered by the license are valid, no concrete attempt was made to buttress these assertions, and the District Court concluded: 'Furthermore, the defendant does not purport to contest the validity of all plaintiff's patents.' D.C. 77 F. Supp. at page 497." See 176 F. 2d at p. 806.

In conclusion it should be pointed out that in Marcalus Mr. Chief Justice Stone laid emphasis on the patent statute itself. He said, 326 U.S. at pp. 257-8 [310]: "The interest in private good faith is not a universal touchstone which can be made the means of sacrificing a public interest secured by an appropriate exercise of the legislative power. The patent laws preclude us from saying that the patent assignment, which they authorize, operates to estop the assignor from asserting that which the patent laws prescribe, namely, that the invention of an expired patent is dedicated to the public, of which the assignor is a member.

"The judgment is affirmed for the reason that we find that the application of the doctrine of estoppel so as to foreclose the assignor of a patent from asserting the right to make use of the prior art invention of an expired patent, which anticipates that of the assigned patent, is inconsistent with the patent laws which dedicate to public use the invention of an expired patent.

The assignor has a complete defense to an action for infringement where the alleged infringing device is that of an expired patent."

Mr. Chief Justice Stone stated in substance that since the patent statute proscribed the continuation of a patent monopoly beyond 17 years as assignor is not estopped to limit the claims of his assignee's patent where the disclosures of the patent lie in the public domain by virtue of a prior expired patent. I cannot conclude that prior art made available by the expiration of a patent monopoly by the terms of the patent statute is entitled to greater weight in effecting the limitation of claims than any other prior art. Mr. Justice Reed and Mr. Justice Frankfurter[1] indicated somewhat similar views in their dissenting opinions in Marcalus, 326 U.S. respectively at page 258 and page 263.

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1. Mr. Justice Frankfurter stated in Marcalus as a basis for his dissent, 326 U.S. at pp. 258-259: "When by a fair and free bargain a man sells something to another, it hardly lies in his mouth to say, 'I have sold you nothing.' It certainly offends the rudimentary sense of justice for courts to support one who purports to sell something to another in saying 'What I have sold you is worthless,' even though he did not expressly promise that what he sold had worth."

The situation at bar is very different, however, from those which were before the Supreme Court in Marcalus and Formica. In the Marcalus case, Marcalus sold his patent to his own company for stock. In Formica, it was said that "* * * an assignor of a patent right is estopped to attack the utility, novelty or validity of a patented invention which he has assigned or granted as against any one claiming the right under his assignment or grant." 266 U. S. at p. 349. But here, by analogy, Nalco is the vendor and Hall, the vendee: Nalco, the assignor, and Hall, the assignee.

But, quite aside from the foregoing, under the new Patent Act, in effect January 1, 1953, approximately fifteen months before the judgment in the instant case was handed down, the granting of a patent monopoly was proscribed where there was only an *unobvious* advance over the prior art: for example, where the patent disclosed only prior art plus mere mechanical skill or ingenuity.[2] It appears, therefore, that at the time of the judgment of the court below there was a statutory prohibition of the sort specifically referred to by Mr. Chief Justice Stone in Marcalus. An attack by way of limitation of claims based upon an existing statutory prohibition as here therefore should be allowed on the basis of the entire existing art. The fundamental law itself authorizes the attack. Article I, Section 8, of the Constitution.

For the reasons stated I dissent from the limiting views expressed in the majority opinion. I agree with the majority, however, that the judgment should be vacated and the cause remanded for further treatment.

JUDGMENT OF THE COURT OF APPEALS ENTERED JUNE 22, 1955. ON APPEAL FROM THE UNITED STATES DISTRICT COURT For the District of Delaware.

Present:

BIGGS, *Chief Judge,* and
MARIS and KALODNER, *Circuit Judges.*

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2. It appears from the Reviser's Note, cited to Section 103, Title 35, USC, that the provisions of Section 103 are a statutory expression of the law as it existed prior to January 1, 1953.

II.

Judgment.

[Entered June 22, 1955]

This cause came on to be heard on the record from the United States District Court for the District of Delaware and was argued by counsel.

On consideration whereof, it is now here ordered and adjudged by this Court that the judgment of the said District Court in this case be, and the same is hereby vacated, and the cause remanded for further proceedings not inconsistent with the opinion of this court.

III.

Statute Involved

[Section 103 of Title 35, U.S.C. is directly involved. Section 102 is also printed since Section 103 refers to it].

35 U.S.C. 102: Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

(c) he has abandoned the invention, or

(d) the invention was first patented or caused to be patented by the applicant or his legal representatives

or assigns in a foreign country prior to the date of the application for patent in this country on an application filed more than twelve months before the filing of the application in the United States, or

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or

(f) he did not himself invent the subject matter sought to be patented, or

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other. July 19, 1952, c. 950, § 1, 66 Stat. 797.

35 U.S.C. 103: Conditions for patentability; non-obvious subject matter

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made. July 19, 1952, c. 950, § 1, 66 Stat. 798.